ANNUAL REPORT

CCA

CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS

FISCAL YEAR ENDED DECEMBER 31, 1935

CCA

MARCH 17, 1936

CONTAINER CORPORATION OF AMERICA

MILLS	Carthage, Indiana Chicago, Illinois Cincinnati, Ohio Circleville, Ohio Kokomo, Indiana Marion, Indiana Philadelphia, Pennsylvania Wabash, Indiana (leased)
FACTORIES	Anderson, Indiana Chicago, Illinois Cincinnati, Ohio Natick, Massachusetts Philadelphia, Pennsylvania
BRANCH AND SALES OFFICES	Anderson, Indiana Chicago, Illinois Cincinnati, Ohio Indianapolis, Indiana Minneapolis, Minnesota Louisville, Kentucky Cleveland, Ohio Natick, Massachusetts New York, New York Pittsburgh, Pennsylvania Philadelphia, Pennsylvania Wabash, Indiana Rochester, New York Baltimore, Maryland
OPERATING SUBSIDIARIES	Chicago Mill Paper Stock Company Pioneer Paper Stock Company Plants (all leased) located at Chicago, Illinois; Kalamazoo, Michigan; Philadelphia, Pennsylvania
INACTIVE SUBSIDIARIES	Dixon Board Mills, Inc. Mid-West Box Company Sefton Container Corporation
AFFILIATED COMPANY	Sefton Fibre Can Company, St. Louis, Mo.

111 WEST WASHINGTON STREET, CHICAGO

DIRECTORS	Sewell L. Avery, Chicago, Illinois William R. Basset, New York, New York J. J. Brossard, Chicago, Illinois Henry B. Clark, Chicago, Illinois Wesley M. Dixon, Chicago, Illinois George deB. Greene, New York, New York William P. Jeffery, New York, New York Walter P. Paepcke, Chicago, Illinois Stanley A. Russell, New York, New York
EXECUTIVE COMMITTEE	Sewell L. Avery William R. Basset William P. Jeffery Walter P. Paepcke
OFFICERS	President, Walter P. Paepcke Vice President, J. J. Brossard Vice President, Wesley M. Dixon Treasurer and Acting Comptroller, H. C. Baumgartner Secretary, E. A. Wagonseller Assistant Treasurer, Hugh K. Crawford Assistant Secretary, Christ Madsen Assistant Secretary, L. A. Combs
TRANSFER AGENTS	Container Corporation of America, Chicago, Ill. City Bank Farmers Trust Company, New York, N. Y.
REGISTRARS	Continental Illinois National Bank and Trust Co., Chicago, Illinois The Chase National Bank of the City of New York, New York

ANNUAL REPORT

While in the main office reception room, visitors and customers are given a quick picture of the company and the range of its products.

CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS, MARCH 17, 1936

TO THE STOCKHOLDERS OF CONTAINER CORPORATION OF AMERICA

We submit herewith the Annual Report of Container Corporation of America for the year ended December 31, 1935. Included as a part of the report are the Auditor's Certificate, Consolidated Balance Sheet and Summary of Consolidated Profit and Loss and Surplus Accounts. In accordance with our usual custom, we are again giving you a comprehensive outline of the various changes which occurred during the year with tabular comparisons and some general comments as to the industry, your Corporation's present position, some of its major policies, and the outlook for the immediate future.

FINANCIAL REVIEW

PROFIT AND LOSS. Earnings for last year amounted to $1,238,009; the previous year's profit was $1,112,711. Both amounts are after interest, reserves for doubtful and bad accounts, revaluation of inventory to the lower of cost or market, provision for depreciation, and Federal income tax.

Coincident with the continued improvement program, certain fixed assets at the operating properties were retired or replaced with new equipment; the remaining undepreciated value of such assets was entirely charged off against current operating profit and loss in an amount of $107,512.

The total amount of depreciation charged to operations during the year amounted to $1,152,590 or $168,428 more than in the previous year. Depreciation rates used on operating properties were increased in respect of buildings from 2½% to 3%. This and other minor changes in rates, together with additional depreciation resulting from capital additions to operating properties in 1934, account for $118,462 of the increase in depreciation; the balance of $49,966 is accounted for by depreciation on the two addi-

tional properties acquired early in the year and mentioned in last year's Annual Report. The increase in total depreciation reserve was $971,165. While $1,152,590 depreciation was charged to operations and added to the reserve, an amount of $181,425 representing accrued depreciation on assets retired during the year, was deducted from the reserve.

Per share earnings on the 653,540 shares of new $20.00 par value Capital stock were $1.89, without reference to dividend requirements on the formerly outstanding, but as of December 16th retired Preferred stock. Per share earnings per quarter on the present outstanding Capital stock were:

First Quarter	$ .32 per share
Second Quarter	.34 per share
Third Quarter	.60 per share
Fourth Quarter (including year-end adjustments)	.63 per share
Full Year	1.89 per share

A comparative summary of operating results for the last three years follows:

	Year Ended December 31st		
	1933	1934	1935
Consolidated net sales (including brokerage sales of subsidiary)	$15,419,759	$18,316,508	$20,181,777
Cost of sales (exclusive of depreciation)	12,819,457	14,136,407	15,356,939
Gross profit (exclusive of depreciation)	$ 2,600,302	$ 4,180,101	$ 4,824,838
Selling, administrative and general expenses (exclusive of depreciation and provision for bad debts)	1,096,807	1,375,624	1,575,614
Net profit from operations (exclusive of depreciation and provision for bad debts)	$ 1,503,495	$ 2,804,477	$ 3,249,224
Other charges:			
Provision for bad debts, less recoveries	$ 100,211	$ 74,434	$ 35,153
Rental expense, etc	60,626	81,275	122,818
Loss on capital assets retired	26,841	51,712	107,512
	$ 187,678	$ 207,421	$ 265,483
	$ 1,315,817	$ 2,597,056	$ 2,983,741
Other income:			
Interest and discounts earned, etc	$ 102,659	$ 107,638	$ 92,704
Rental income	29,551	29,236	29,170
Adjustments of prior years property taxes	....	49,269	....
	$ 132,210	$ 186,143	$ 121,874
Net profit before depreciation, interest and Federal taxes	$ 1,448,027	$ 2,783,199	$ 3,105,615
Interest charges, etc.:			
Interest on first mortgage bonds	$ 220,245	$ 214,502	$ 208,426
Interest on debentures	228,569	215,939	213,482
Other interest, etc	18,285	15,124	32,596
Provisions for Federal income taxes	....	195,000	217,500
	$ 467,099	$ 640,565	$ 672,004
Net profit before depreciation and amortization	$ 980,928	$ 2,142,634	$ 2,433,611
Depreciation and amortization:			
Provision for depreciation	$ 791,007	$ 984,162	$ 1,152,590
Amortization of bond discount	49,000	45,761	43,012
	$ 840,007	$ 1,029,923	$ 1,195,602
Net profit carried to surplus	$ 140,921	$ 1,112,711	$ 1,238,009

Net profit improvement over 1934 was $125,298; before increased provision for depreciation the actual operating improvement was $293,726. In the past, one half of one percent of sales was reserved for bad and doubtful accounts. This percentage has proven excessive and accordingly a lower percentage provision was made in 1935. The reserve for doubtful accounts and allowances at the end of 1933, 1934 and 1935 amounted to $85,679, $162,946, and $148,348 respectively. At this point, it is worthy of mention that average sales price for 1935 was about $6.00 per ton lower than in 1934; on the total number of tons shipped, this amounted to more than $2,200,000 less gross receipts than the same tonnage would have represented in dollar receipts in the previous year. Happily lower costs, due to the better volume experienced and due to the substantial plant improvements made during the last two years, together with the profit on the additional units shipped more than offset the substantial drop in sales price.

WORKING CAPITAL. A significant comparison of working capital position at December 31, 1934 and December 31, 1935 follows:

	1934	1935	Increase or Decrease (d)
Current Assets:			
Cash on hand and in banks	$ 820,912	$1,131,576	$310,664
Tax anticipation warrants at cost, plus accrued interest	1,062	....	1,062 (d)
Customers' notes and accounts receivable, less reserves	1,112,478	1,140,293	27,815
Miscellaneous receivables	32,559	15,287	17,272 (d)
Inventories	2,489,422	2,896,060	406,638
Total Current Assets	$4,456,433	$5,183,216	$726,783
Current Liabilities:			
Accounts payable	$ 662,192	$ 758,558	$ 96,366
Building construction and machinery and equipment accounts payable	326,164	....	326,164 (d)
Accrued interest	26,940	33,218	6,278
Accrued wages	61,440	62,326	886
Reserve for taxes	195,007	207,287	12,280
Reserve for Federal taxes	195,000	217,500	22,500
Sundry reserves	21,215	26,235	5,020
Current maturities—Dixon Board Mills, Inc., 6% Bonds	9,000	....	9,000 (d)
Sinking fund requirements—Container Corporation, 6% First Mortgage Bonds	192,500	250,000	57,500
Total Current Liabilities	$1,689,458	$1,555,124	$134,334 (d)
Net Working Capital	$2,766,975	$3,628,092	$861,117
Current Ratio	2.64 to 1	3.33 to 1	

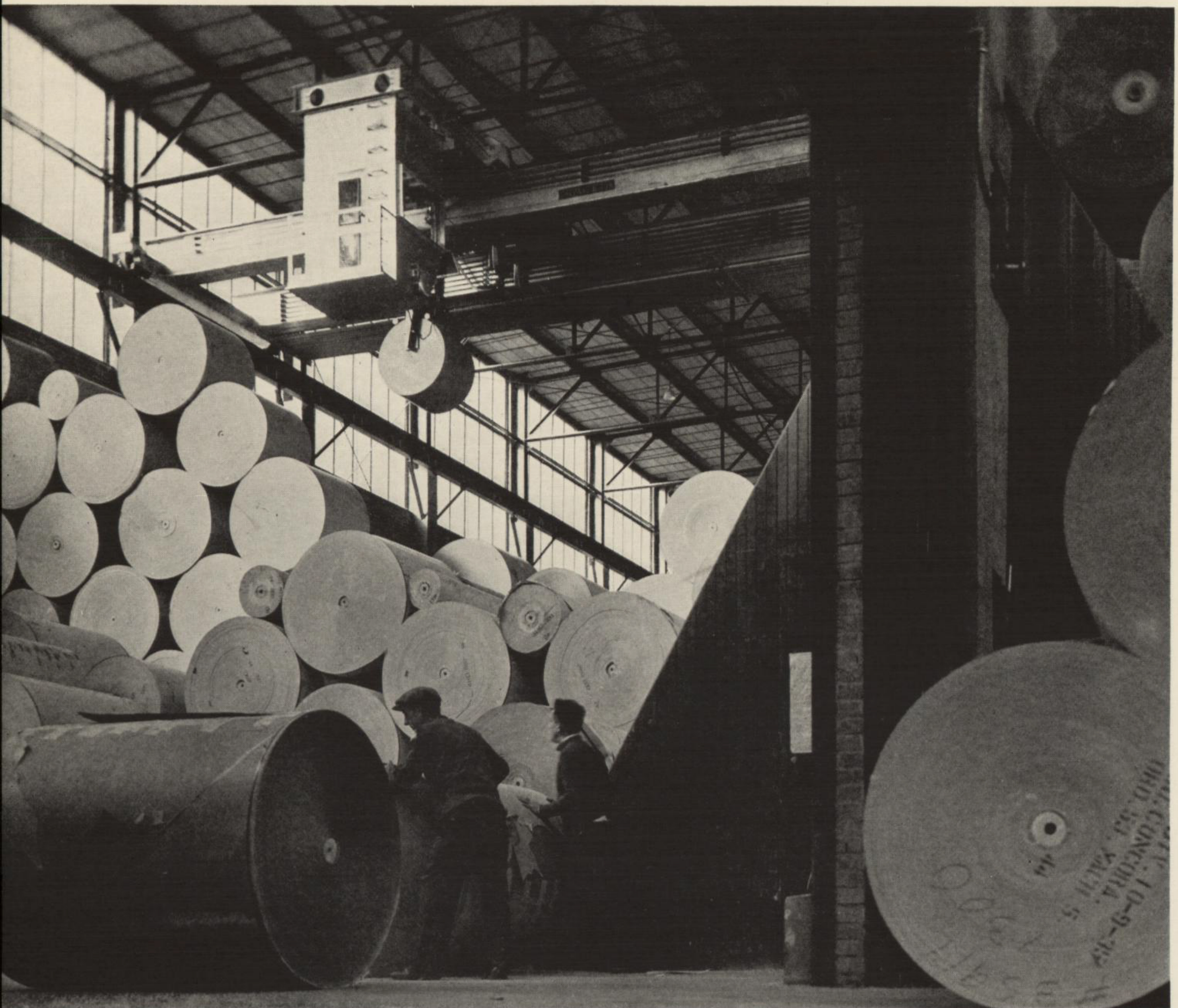
During the year, there was expended $748,336 on plant improvements and $534,790, on plant acquisitions, as mentioned in last year's Annual Report although occurring

in the early part of January 1935, (of this amount $92,590 was represented by initial cash payments and the balance by purchase money notes; payments of $209,340 were made on these notes during the year, leaving a balance unpaid at the close of the year of $232,860). Funded debt, exclusive of these purchase money notes, was reduced by $280,000; Preferred dividends, of $422,122, including all accumulated arrear dividends were paid out in cash. Finally, $38,220 of cash was spent in the acquisition of 322 shares of Second Series Preferred stock and of 42 shares of Original Series Preferred stock purchased at a combined average price of $105 per share. Considering these various expenditures, it is gratifying to be able to report a cash increase of $310,664 and the above shown increase of $861,117 in working capital.

An application of funds statement follows which indicates the sources of funds and their disposition:

Funds provided from the following sources:			
Profit for year		$1,238,009	
Add expense items not involving cash—			
Provision for depreciation		1,152,590	
Loss on property retired		107,512	
Amortization of bond discount and expense		43,012	$2,541,123
Decrease in other notes and accounts receivable			46,277
Decrease in deferred charges other than bond discount and expense			10,498
Sale of property			6,208
Excess provision for 1934 Federal income taxes added to reserve for contingencies			47,637
			$2,651,743
Which were expended or accounted for as follows:			
Net increase in working capital			$ 861,117
Company's own bonds and debentures purchased and called			231,500
Company's stock purchased—			
Preferred stock (364 shares)		$ 38,220	
Class B Common stock (2 shares)		18	38,238
Dividends paid on Preferred stock			422,122
Additions to plant machinery and equipment			748,336
Acquisition of new properties—			
Purchase price		$ 534,790	
Deduct purchase money obligations assumed	$442,200		
Less payments made during year	209,340	232,860	301,930
Increase in current maturities and sinking fund requirements of funded debt			48,500
			$2,651,743

On the right is a photograph of part of "No. 6" machine in Philadelphia. This is the largest paperboard cylinder machine in America.



The new storage room in the Philadelphia plant is equipped with the latest type electric crane which handles thousands of tons of paperboard roll stock with ease and dispatch, without damage to the rolls.

FUNDED OBLIGATIONS. As already mentioned, outstanding bonds, debentures and subsidiary company bonds were reduced by a total of $280,000, of which $48,500 represents an increase in current maturities and sinking fund requirements of funded debt. There appears the additional item of purchase money obligations of $232,860, leaving a net increase of $1,360 of all types of funded debt outstanding. At the year end, the Corporation had in its treasury sufficient debenture bonds for its entire 1936 sinking fund requirements and $32,500 of debentures toward its sinking fund requirements for 1937. All interest payments were made when due and sinking fund requirements were met in accordance with provisions of the trust indentures. A comparison of the funded debt position of December 31, 1934 and December 31, 1935, follows:

	Dec. 31, 1934	Dec. 31, 1935	Increase or Decrease (d)
First Mortgage Sinking Fund 6% Bonds due June 15, 1946.	$3,551,500	$3,367,500	$184,000 (d)
Fifteen Year 5% Debentures due June 1, 1943	4,280,000	4,267,500	12,500 (d)
Dixon Board Mills, Inc. First Mortgage 6% Bonds (due serially to 1942)	153,500	118,500	35,000 (d)
Purchase Money Obligations	....	232,860	232,860
Total outstanding	$7,985,000	$7,986,360	$ 1,360
Less current maturities and sinking fund requirements:			
First Mortgage Sinking Fund 6% Bonds due June 15, 1946	$ 192,500	$ 250,000	$ 57,500
Dixon Board Mills, Inc. First Mortgage 6% Bonds (due serially to 1942)	9,000	....	9,000 (d)
Total included in current liabilities	$ 201,500	$ 250,000	$ 48,500
Total funded debt	$7,783,500	$7,736,360	$ 47,140 (d)

CAPITALIZATION. A major step in simplifying the capital structure and balance sheet of the Corporation was accomplished on December 16th when the stockholders, at a special meeting, voted to authorize a new $20.00 par value Capital stock. The entire small series of 322 shares of Second Series Preferred stock and 42 shares of Original Series Preferred stock were purchased for $38,220 cash, and the balance of 11,702 shares of outstanding Original Series Preferred stock was exchanged for 58,510 shares of the new Capital stock in the ratio of five shares of new Capital stock for one of Preferred. To retire the 367,930 shares of previously outstanding Class A Common stock, 367,930 shares of new Capital stock were issued in the ratio of share for share. Simultaneously, 567,750 shares of previously outstanding Class B Common stock were retired by the issuance of 227,100 shares of new Capital stock in the ratio of two shares of new Capital stock for five shares of Class B. The 5,625 shares of Class A and 14,639 shares of Class B stock held in the Treasury were also retired.

The Corporation applied for and was granted permanent registration of all of its listed bonds, debentures and new capital shares in conformance with the Securities and Exchange Commission requirements. The new Capital stock was qualified for listing on the New York Stock Exchange where it has been traded in since the morning of December 28, 1935. There follows a summary of the capital stock of the Corporation as of December 31, 1934 and December 31, 1935:

Class of Stock	Outstanding December 31, 1934 Shares	Amount	Outstanding December 31, 1935 Shares	Amount
Capital (par value $20)				
(Authorized 1,000,000 shares)			653,540	$13,070,800
Preferred 7% cumulative—				
Original Series (par value $100)	11,744	$ 1,174,400		
Second Series (par value $100)	322	32,200		
Common Class A (par value $20)	373,555	7,471,100		
Common Class B (no par value)	582,389	2,890,945		
		$11,568,645		$13,070,800
*Treasury Stock—				
Preferred Original Series (deducted above)	3,687	$ 368,700		
Preferred Second Series (deducted above)	2,878	287,800		
Common Class A	5,625	70,500		
Common Class B	14,637	23,250		

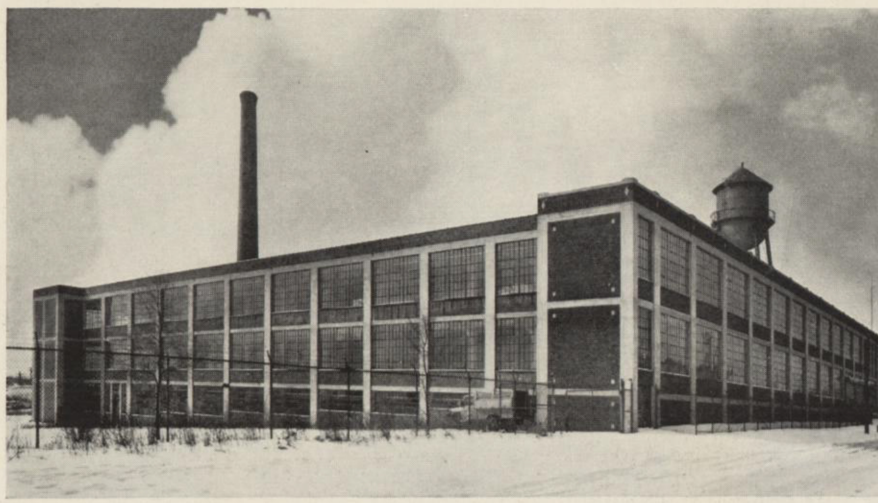
*All treasury stock at Dec. 31, 1934 and additional shares acquired in year 1935 (42 shares Preferred Original Series, 322 shares Preferred Second Series and 2 shares of Class B Common) were retired in 1935.

ADJUSTMENTS TO SURPLUS. There were no extraordinary year-end surplus adjustments, only the addition to surplus of the profit earned, less current and accumulated arrear Preferred dividends paid.

In connection with the recapitalization plan, the capital surplus account was eliminated by transferring $1,674,324 to Capital; the balance of $288,355 was added to reserve for contingencies. There follows a summary of capital surplus for the year ended December 31, 1935:

Balance at December 31, 1934	$1,922,499	
Add—Discount on 5,625 shares of Class A Common stock retired, less premium on 364 shares of Preferred stock reacquired during year	40,180	$1,962,679
Deduct—		
Excess of par value of new Capital stock issued in exchange for Class B Common stock over the capital amount thereof	$1,674,324	
Amount transferred to reserve for contingencies by action of the Board of Directors	288,355	1,962,679
Balance at December 31, 1935		$........

The nationally known firms served by Container Corporation of America reads like the blue book of commerce and industry. The company is the largest producer of paperboard products. Its customers' service, its equipment, organization and experience provide fast and economical fulfillment of virtually any paperboard container need.



THE NEWLY LEASED

PHILADELPHIA PLANT OF THE

PIONEER PAPER STOCK COMPANY

FOLDING CARTONS, SET-UP BOXES, PACKING MATERIALS

At the right are some of the many colorful folding cartons made by Container Corporation of America at its folding carton plant in Chicago. Concora folding cartons are used by scores of national manufacturers of cosmetics, machine parts, confectionery, electrical products, foods, cutlery, drugs, sporting goods, etc.

Lower left, are several of the many unique and successful set-up boxes made of Concora boxboard supplied by Container Corporation of America to large and small manufacturers of set-up boxes.

Below are some of the varied products manufactured by Pioneer Paper Stock Company, as well as other products manufactured by Container Corporation of America and marketed by Pioneer Paper Stock Company.

CONCORA PAPERBOARD BEGINS IN THE LABORATORY

As Concora paperboards are made, they go through a process of testing, checking, and rechecking in the plant laboratories where trained scientists relentlessly pursue the company's ideal of high quality paperboards that will meet the varying needs of shippers and packers.

INDUSTRY

The generally expected elimination of the paperboard and container industry codes occurred in June 1935. As anticipated, there were no direct results as far as price levels were concerned; there had been a gradual downward trend of prices prior to June 1935 and the same trend continued up to about September 1935 when the increased demand brought about more stable and in some cases firmer price structures. At the very end of the year as volume fell off, the gradual downward trend reappeared.

Thus far in 1936 there has been a fair increase in volume compared with December and a slight increase over January a year ago. This volume increase should normally continue during the next three or four months.

During the last four years, the paperboard industry operated at 56% of full capacity in 1932, 63% in 1933, 60% in 1934 and 65% in 1935. Your Corporation in the respective years operated at 55%, 64%, 62%, and 66%. The corrugated shipping container industry produced 44% more units in 1935 than in 1929; this is unquestionably a remarkable performance.

There has been a steady increase in production of both paperboard, containers, and cartons over the last twenty years. Even during the last decade, which included all the recent depression years, these divisions of the paperboard industry have shown a substantial average annual increase of volume. Naturally, the few worst depression years, which showed a mild decrease, had to be offset by a large increase in the other years to produce an average gain.

OPERATIONS

Further substantial capital improvements were made during 1935. All in all, $748,336 were spent for betterments to improve operating costs and quality; such slight expansion of capacity as resulted from some of these capital expenditures was incidental.

Among the more important capital expenditures were the following:

Carthage, Indiana—One of the linerboard machines was rebuilt into a most modern, up-to-date straw producing unit.

Philadelphia, Pa.—Further improvements were made in stock preparation equipment; that is, in the layout and machinery of that part of the operation which receives and prepares raw material before it goes on to the paper machine where it is converted into paperboard.

Ogden Avenue, Chicago—Extensive paper mill and box factory improvements were made.

A considerable number of new motor trucks, tractors and trailers was purchased and put into operation. These are specially designed for the fast and economical transportation of your Corporation's raw material and delivery of its finished product. On page 28 there appears an illustration of a typical tractor and trailer unit. Your Corporation now operates 187 units of trucks, tractors and trailers.

The properties of this Corporation were adequately maintained by expenditure of $964,070 for repair and maintenance charges which were entirely absorbed in the cost of operations and are, of course, in addition to the above mentioned $748,336 of expenditures which were properly capitalized. The physical condition of the properties

generally is very good; however, with new improvements and developments constantly occurring as a result of scientific research and development, there is no doubt but what your Corporation should continue to make annual improvements in order to keep its plants, machinery and equipment in strictly up-to-date condition.

Your Corporation is employing between four and five thousand men and women at the factories, including administrative departments. The total labor payroll of the Corporation amounted to more than $3,400,000.00 in 1935. Since the elimination of the various codes, there have been no reductions of labor rates; in fact, the wage rates which your Corporation is now paying remain approximately 15 to 25% higher than the minimum wage levels established under the former codes.

The Corporation has had a gratifying safety record in its various plants; in one of these there has been no lost time accidents for as many as fifty consecutive months.

The Corporation maintains three research laboratories where raw materials and finished products are constantly being tested, quality of product improved, and possible further cost reductions sought and investigated. These laboratories have been quite helpful in developing new business by suggesting to individual customers and whole industries such improvement of packages as have been developed by your Corporation's engineers. An illustration of one of these laboratories appears on page 18.

SALES

Consolidated net sales were $1,865,269 higher than in the preceding year and 22% greater in unit volume. The lower sales price accounts for the greater increase in tonnage than in dollar sales volume. While there was a moderate increase in unit volume in containers and cartons, it was materially less than in paperboard, where the newly acquired units contributed a substantial amount of increased tonnage.

Your Corporation at the present time is serving a list of approximately 8,000 active customers. The present and potential users of your Corporation's products comprise practically every well known manufacturing concern which produces consumer's goods necessary to the daily existence of the population of the nation. The fact that credit losses amounted to less than one fourth of one per cent of the total sales volume again attests to the financial strength of the concerns which are consumers of paperboard and paper containers and cartons. The illustrations on pages 15 and 17 exhibit different types of packages made for various well known users included in the list of your Corporation's customers.

Selling prices of the Corporation's basic products during 1935 averaged approximately 65% of 1926.

SUBSIDIARIES

The two operating subsidiaries of this Corporation, i.e., Pioneer Paper Stock Company and Chicago Mill Paper Stock Company, operated at a somewhat increased volume and profit over the preceding year. Some of the newer lines of production of the subsidiaries such as furniture pads, shredded paper for protecting fragile commodities within a container, waxed paper, cellophane moss used by florists and confectioners, and fruit wrappers all experienced a fair increase in volume and profit. See illustration, page 17.

SEFTON FIBRE CAN COMPANY

Some of the cans made of part paperboard and part tin, or all paperboard, mentioned on page 23. Container Corporation of America supplies the paperboard that goes into the manufacture of these highly specialized and popular paperboard cans.

A view just outside the mill at Circleville, Ohio. In the manufacture of Concora strawboard, approximately 70,000 tons of straw are consumed each year. Bales, each weighing about 75 pounds, are piled in huge stacks fifty feet high. Twenty-seven bales of straw weigh a ton. Approximately 2,000,000 bales are handled a year, or an average of 6,300 a day.

AFFILIATED COMPANY

In December 1935, your Corporation added to its former investment in the Sefton Fibre Can Company of St. Louis so that it now owns a controlling interest in this Company. The former comptroller of your Corporation was made president of the Can Company at that time. The Can Company makes a large variety of all paperboard and part paperboard and part tin cans of the convolute and spiral wound varieties. See illustration, page 21. It is believed that there may be some large and important developments leading to the shipment of new and additional products in paperboard cans. Much research work is going on in this field and before long some interesting commercial results may appear.

FISCAL AND OPERATING POLICY

It is your Corporation's aim to further simplify and strengthen its corporate financial structure and balance sheet.

Many suggestions for refunding the outstanding bonds and/or debentures were received during the last eighteen months; all were given consideration but none was considered sufficiently attractive. It is appreciated by your Board of Directors and management that this subject may present possibilities for savings in interest, and if any very advantageous plan can be evolved, it will be given every consideration.

A further continuance of the policy of expending justifiable funds for plant improvements, in order to further reduce operating costs, is unquestionably advisable. The stockholders, no doubt, realize that present costs are very much lower than if the large amount of almost three million dollars had not been spent for equipment, renovation and improvements during the last two years.

Your Corporation is also carefully investigating ways and means of more adequately protecting its pulp and paperboard supply in the future; these are most important raw materials entering into the manufacture of its paperboards and containers, respectively.

EARNINGS AND DIVIDEND OUTLOOK

Earnings for the first quarter of 1936 may show some improvement over the corresponding period of last year in spite of the fact that selling prices are lower. The paperboard industry as a whole should benefit from the fact that for the first time in a decade there has been an almost complete assimilation of the new productive capacity which came into the industry from the south and west coasts from 1926 on. It has been estimated by various authorities that 1936 volume will show an increase of some 5 to 10% over 1935. This, of course, is subject to general business conditions throughout the country but seems to be an estimate not beyond fair expectation.

ORGANIZATION

There were no major organization changes during the year other than the one referred to in respect to the comptroller. Other officers remain the same.

All members of the organization throughout the Operating, Administrative and Service Departments worked conscientiously and efficiently. The progress made during the year indicates the extent of the success of their efforts.

Respectfully submitted.

WALTER P. PAEPCKE, President

CONTAINER CORPORATION OF AMERICA

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:			
Cash in banks and on hand		$ 1,131,575.70	
Customers' notes and accounts receivable—			
Notes	$ 152,609.84		
Accounts	1,136,031.25		
	$ 1,288,641.09		
Less—Reserve for doubtful accounts and allowances	148,348.07	1,140,293.02	
Sundry current receivables		15,287.55	
Inventories of raw materials, work in process, finished goods and supplies—quantities and condition determined by employees of the companies; priced at the lower of cost or market		2,896,059.78	
Total current assets			$ 5,183,216.05
Other Receivables and Investments—at cost			90,563.14
Plant and Equipment—stated at amounts recorded at dates of acquisition (including acquisitions for stock) based, in part, on appraisals, plus additions since at cost, less reserve for depreciation:			
Land		$ 3,237,069.14	
Buildings, including leasehold improvements	$ 8,154,074.22		
Machinery and equipment	12,935,832.19		
Furniture and fixtures	53,457.16		
	$21,143,363.57		
Less—Reserve for depreciation	6,760,214.08	14,383,149.49	17,620,218.63
Deferred Charges to Future Operations:			
Unamortized debt discount and expense		$ 316,624.28	
Deferred maintenance charges, etc		38,864.18	
Prepaid insurance		78,155.95	433,644.41
Goodwill and Patents—at nominal value			1.00
			$23,327,643.23

AND SUBSIDIARY COMPANIES

• DECEMBER 31, 1935

LIABILITIES

Current Liabilities:		
Accounts payable	$ 758,558.25	
Accrued interest, wages, taxes, etc	329,065.31	
Provision for 1935 Federal income taxes	217,500.00	
Sinking-fund payments due in 1936	250,000.00	
Total current liabilities		$ 1,555,123.56
Funded Debt—less sinking-fund payments due in 1936 shown above, and bonds held in treasury (see accompanying summary)		7,736,360.00
Reserve for Contingencies, of which $288,355.30 was provided by a charge to capital surplus (see accompanying summary)		417,614.63
Contingent Liabilities Reported:		
Federal income-tax returns from 1926 to date are in dispute. The maximum amount of additional taxes and interest which may be payable is not determinable but is believed by the management to be not in excess of the reserve for contingencies.		
Capital Stock and Surplus:		
Capital stock—		
Authorized, 1,000,000 shares of $20.00-par value		
Outstanding, 653,540 shares (partially in the form of old certificates not yet exchanged for new certificates)	$13,070,800.00	
Earned surplus (see accompanying summary)	547,745.04	13,618,545.04
		$23,327,643.23

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARY OF CONSOLIDATED PROFIT-AND-LOSS AND EARNED-SURPLUS ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1935

PROFIT-AND-LOSS ACCOUNT

CONSOLIDATED NET SALES (including brokerage sales of subsidiary)		$20,181,776.68
COST OF SALES (exclusive of depreciation)		15,356,939.22
Gross profit (exclusive of depreciation)		$ 4,824,837.46
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES (exclusive of depreciation and bad debts)		1,575,613.71
Net profit from operations (exclusive of depreciation and bad debts)		$ 3,249,223.75
DEDUCT:		
Rental expense, etc	$ 122,817.55	
Loss on capital assets retired	107,512.33	
Provision for bad debts, less recoveries	35,152.80	
	$ 265,482.68	
Less—		
Purchase discounts, interest earned, etc	$ 92,704.08	
Rental income	29,170.00	
	$ 121,874.08	143,608.60
Net profit before depreciation, interest and Federal taxes		$ 3,105,615.15
INTEREST CHARGES, ETC.:		
Interest on first-mortgage bonds	$ 208,425.77	
Interest on debentures	213,482.38	
Other interest, etc	32,595.79	
Provision for Federal income taxes	217,500.00	672,003.94
Net profit before depreciation and amortization		$ 2,433,611.21
DEPRECIATION AND AMORTIZATION:		
Provision for depreciation	$1,152,589.77	
Amortization of bond discount and expense	43,012.17	1,195,601.94
Net profit carried to earned surplus		$ 1,238,009.27

EARNED-SURPLUS ACCOUNT

BALANCE AT DECEMBER 31, 1934 (DEFICIT)	$ 268,142.06	
NET PROFIT FOR YEAR, as above	1,238,009.27	$ 969,867.21
DEDUCT—Cash dividends paid on preferred stock (including dividends in arrears)		422,122.17
Balance at December 31, 1935		$ 547,745.04*

*According to restrictions in the 5% debenture trust agreement, surplus of subsidiaries as at January 1, 1928 amounting to $367,184.86 is not available for cash dividends.

A modern conveyor system in the Ogden paperboard mill in Chicago. This simple, yet efficient method facilitates the handling of corrugated and solid fibre sheet stock before as well as after fabrication into shipping containers.

One of the 187 trucks, tractors and trailers now operated by Container Corporation for the fast and economical transportation of raw materials and the delivery of finished products to its plants and customers.

SUMMARY OF CAPITAL SURPLUS AND RESERVE FOR CONTINGENCY ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1935

CAPITAL SURPLUS

BALANCE AT DECEMBER 31, 1934	$1,922,498.80	
ADD—Discount on 5,625 shares of Class A common stock retired, less premium on 364 shares of preferred stock reacquired during year.	40,180.00	$1,962,678.80
DEDUCT:		
Excess of par value of new capital stock issued in exchange for Class B common stock over the capital amount thereof	$1,674,323.50	
Amount transferred to reserve for contingencies by action of the Board of Directors	288,355.30	1,962,678.80
Balance at December 31, 1935		$..........

RESERVE FOR CONTINGENCIES

BALANCE AT DECEMBER 31, 1934		$ 81,622.71
ADD:		
Amount transferred from capital surplus, as above	$ 288,355.30	
Provision for 1934 Federal income taxes in excess of payments thereof	47,636.62	335,991.92
Balance at December 31, 1935		$ 417,614.63

CONTAINER CORPORATION OF AMERICA
STATEMENT OF FUNDED DEBT • DECEMBER 31, 1935

PARTICULARS	Container Corporation of America (1) First-Mortgage 6% Bonds Due June 15, 1946	Container Corporation of America (2) 5% Debentures Due June 1, 1943	Dixon Board Mills, Inc. (3) First Mortgage 6% Bonds Due Serially to Dec. 1, 1942	Taylor Street Paper Company (4) First Mortgage 5% Notes Due Serially From 1937 to 1939	The Marion Paper Company (4) 6% Real-Estate Mortgage Notes Due Serially From 1937 to 1939	Total
Authorized	$10,000,000.00	$6,000,000.00	$350,000.00	$212,060.00	$106,700.00	$16,668,760.00
Less—Unissued	5,000,000.00	....	....	....	....	5,000,000.00
Issued	$ 5,000,000.00	$6,000,000.00	$350,000.00	$212,060.00	$106,700.00	$11,668,760.00
Deduct:						
Redeemed	$ 1,632,500.00	$1,500,000.00	$150,000.00	$ 85,900.00	$.........	$ 3,368,400.00
In treasury for 1936 sinking-fund requirement or maturity	....	200,000.00	....	....	....	200,000.00
In treasury in excess of 1936 sinking-fund requirement or maturity	....	32,500.00	81,500.00	....	....	114,000.00
	$ 1,632,500.00	$1,732,500.00	$231,500.00	$ 85,900.00	$.........	$ 3,682,400.00
Balance, December 31, 1935	$ 3,367,500.00	$4,267,500.00	$118,500.00	$126,160.00	$106,700.00	$ 7,986,360.00
Deduct—Sinking-fund payment due in 1936 included in current liabilities	250,000.00	....	....	....	....	250,000.00
Balance payable subsequent to December 31, 1936	$ 3,117,500.00	$4,267,500.00	$118,500.00	$126,160.00	$106,700.00	$ 7,736,360.00

NOTES:

(1) The trust indenture requires semi-annual sinking-fund payments of $62,500.00 (or deposit of an equivalent par value of bonds) and in addition annually on May 1, an amount equivalent to 20% of net profits for the preceding year remaining after payment of dividends for the year on the outstanding preferred stock; such additional amount not to exceed $125,000.00. Under these terms, a sinking-fund payment of $250,000.00 must be met in 1936.

(2) The trust indenture requires semi-annual sinking-fund payments of $100,000.00 or deposit of an equivalent par value of bonds.

(3) These bonds were assumed by Container Corporation of America during 1930 and mature $30,000.00 annually from 1937 to 1941, inclusive, and $50,000.00 in 1942.

(4) These notes were assumed by Container Corporation of America during 1935 and mature serially from 1937 to 1939.

(5) The entire capital stock, except directors' qualifying shares, of Chicago Mill Paper Stock Company, a subsidiary, is pledged with the trustees for the first-mortgage bonds.

ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS

135 SOUTH LA SALLE STREET
CHICAGO

To the Board of Directors,

Container Corporation of America:

We have made an examination of the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES as at December 31, 1935 and of the statements of consolidated profit and loss and surplus for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year; we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position of the companies at December 31, 1935 and the results of their operations for the year ended that date.

Chicago, Illinois,
February 15, 1936.

Arthur Andersen & Co.

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CHICAGO